

Calculation of Utilities Expense Level (UEL) Inflation Factor for Calendar Year (CY) 2011

The data for calculating the UEL Inflation factor for CY 2011 is extracted from the Bureau of Labor Statistics (BLS)'Consumer Price Index for All Urban Consumers (CPI-U), shown in Table 1. The reporting periods for operating subsidy calculation run from July 1 to June 30. Using the monthly indices for the 12-month period, an average index is calculated for each of the reporting periods, by utility type. Nationally, the weighted change in utility price between the CY 2010 and CY 2011 reporting periods (weighted by the percentage of total public housing spending on utilities, by type) was -3.81% (Table 2).

The rate of change in the reporting period (-3.81%) is then multiplied by 1.5 to reflect the anticipated rate that PHAs will pay during the funding period. In essence, the funding period lags the reporting period by 18 months (1.5 years). As shown below, this calculation results in a **CY 2011 UEL inflation factor of -5.72%.**

-3.81% (weighted rate of change in reporting period) x 1.5 (18 month lag) = -5.72% (2011 UEL Inflation Factor)

Table 1: Calculation of Inflation Factor by Utility Type Using CPI-U

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Table 2: Calculation of CY 2011 Weighted Average Inflation Factor Based on CPI Indices

Utility Type	Percent of Total Utility Costs [b]	Jul 2008 - Jun 2009 CPI Average [c]	Jul 2009 - Jun 2010 CPI Average [d]	Inflation Factor [e]	Weighted Inflation Factor [b] x [e]
Water	22.0%	342.39	368.21	7.54%	1.66%
Electricity	33.0%	193.08	192.18	-0.47%	-0.15%
Natural Gas/ Gas	22.0%	227.66	189.10	-16.94%	-3.73%
Fuel	16.0%	291.14	266.23	-8.56%	-1.37%
Other Utilities	7.0%	218.44	211.64	-3.11%	-0.22%
Total Utility Costs	100.0%				
Weighted Average Inflation Factor					-3.81%